

House File 641 - Reprinted

HOUSE FILE 641

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 234)

(As Amended and Passed by the House April 24, 2013)

A BILL FOR

1 An Act authorizing the establishment of reinvestment districts
2 following approval of the economic development authority
3 board, providing for the remittance of certain state sales
4 tax revenues and certain state hotel and motel tax revenues
5 to municipalities, establishing a state reinvestment
6 district fund, and making appropriations.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 15J.1 Short title.

2 This chapter shall be known and may be cited as the "Iowa
3 *Reinvestment Act*".

4 Sec. 2. NEW SECTION. 15J.2 Definitions.

5 As used in this chapter, unless the context otherwise
6 requires:

7 1. "Board" means the same as defined in section 15.102.

8 2. "Department" means the department of revenue.

9 3. "District" means the area within a municipality that is
10 designated a reinvestment district pursuant to section 15J.3.

11 4. "Fund" means the state reinvestment district fund created
12 in section 15J.5.

13 5. "Governing body" means the county board of supervisors,
14 city council, or other body in which the legislative powers of
15 the municipality are vested.

16 6. "Lessor" means the same as defined in section 423A.2.

17 7. "Municipality" means a county or an incorporated city.

18 8. "Project" means a vertical improvement constructed
19 or substantially improved within a district using sales
20 tax revenues and hotel and motel tax revenues received by a
21 municipality pursuant to this chapter.

22 9. "Retail establishment" means a business operated by a
23 retailer as defined in section 423.1.

24 10. "State hotel and motel tax" means the state-imposed tax
25 under section 423A.3.

26 11. "State sales tax" means the sales and services tax
27 imposed pursuant to section 423.2.

28 12. "Vertical improvement" means a building that is wholly
29 or partially above grade and all appurtenant structures to the
30 building.

31 Sec. 3. NEW SECTION. 15J.3 District establishment —
32 approval.

33 1. A municipality that has an area suitable for development
34 within the boundaries of the municipality is eligible to
35 seek approval from the board to establish a reinvestment

1 district under this section consisting of the area suitable for
2 development. To be designated a reinvestment district, an area
3 shall meet the following requirements:

4 *a.* The area consists only of parcels of real property that
5 the governing body of the municipality determines will be
6 directly and substantially benefited by development in the
7 proposed district.

8 *b.* The area is in whole or in part either an economic
9 development enterprise zone designated under chapter 15E,
10 division XVIII, or an urban renewal area established pursuant
11 to chapter 403.

12 *c.* The area consists of contiguous parcels and does not
13 exceed fifty acres in total.

14 *d.* For a municipality that is a city, the area does not
15 include the entire incorporated area of the city.

16 2. Prior to submission to the board for approval under
17 subsection 3, a proposed district plan shall be developed
18 and approved by resolution of the governing body of the
19 municipality. The proposed district plan shall state the
20 governing body's intent to establish a district. The proposed
21 district plan shall also include all of the following:

22 *a.* A finding by the governing body that the area in the
23 proposed district is an area suitable for development.

24 *b.* A legal description of the real estate forming the
25 boundaries of the area to be included in the proposed district
26 along with a map depicting the existing parcels of real estate
27 located in the proposed district.

28 *c.* A list of the names and addresses of the owners of record
29 of the parcels to be included in the proposed district.

30 *d.* A list of all projects proposed to be undertaken within
31 the district, a detailed description of those projects, and
32 a project plan for each proposed project. Each project plan
33 shall clearly state the estimated cost of the project, the
34 anticipated funding sources for the project, and the amount and
35 type of debt, if any, to be incurred by the municipality to

1 fund the project, and shall include a project feasibility study
2 conducted by an independent professional with expertise in
3 economic development and public finance. The feasibility study
4 shall include projections and analysis of all of the following:

5 (1) The amount of gross revenues expected to be collected in
6 the district as a result of the project for each year that the
7 district is in existence.

8 (2) A detailed explanation of the manner and extent to which
9 the project will contribute to the economic development of
10 the state and the municipality, including an analysis of the
11 project's economic impact. The analysis shall include the same
12 components and be conducted in the same manner as the economic
13 impact study required under paragraph "e".

14 (3) An estimate of the number of visitors or customers
15 the project will generate during each year that the district
16 exists.

17 (4) A description of the unique characteristics of the
18 project.

19 e. An economic impact study for the proposed district
20 conducted by an independent economist retained by the
21 municipality. The economic impact study shall, at a minimum,
22 do all of the following:

23 (1) Contain a detailed analysis of the financial benefit
24 of the proposed district to the economy of the state and the
25 municipality.

26 (2) Identify one or more projected market areas in which the
27 district can reasonably be expected to have an economic impact.

28 (3) Assess the fiscal and financial impact of the proposed
29 district on businesses or on other economic development
30 projects within the projected market area.

31 3. a. The municipality shall submit a copy of the
32 resolution, the proposed district plan, and all accompanying
33 materials adopted pursuant to this section to the board for
34 evaluation and approval.

35 b. The board shall evaluate each municipality's proposed

1 district plan and accompanying materials and shall approve the
2 district plan and establishment of the district if the board
3 determines that, in addition to other criteria established by
4 the board by rule, all of the following conditions are met:

5 (1) The area of the municipality proposed to be included in
6 the district meets the requirements of subsection 1.

7 (2) The projects proposed to be undertaken in the district
8 will have a substantial beneficial impact on the economy of the
9 state and the economy of the municipality.

10 (3) The proposed funding sources for each project are
11 feasible.

12 c. If the board denies a proposed district plan, the board
13 shall state the reasons for the denial and the municipality may
14 resubmit the application.

15 d. As part of its approval of a proposed district plan,
16 the board may, subject to the authorized amounts under section
17 15J.4, establish maximum amounts of state sales tax revenues
18 or state hotel and motel tax revenues, or both, that may be
19 remitted to a municipality's reinvestment project fund. Such
20 maximum amounts shall be determined based on the financing
21 needs of the project and the economic impact to the state.

22 4. Upon receiving the approval of the board, the
23 municipality may adopt an ordinance establishing the district
24 and shall notify the director of revenue of the establishment
25 of the district. The ordinance adopted by the municipality
26 shall include a detailed statement of the manner in which
27 the approved projects to be undertaken in the district will
28 be financed, including but not limited to the financial
29 information included in the project plan under subsection 2,
30 paragraph "d". Following establishment of the district, a
31 municipality may use the moneys deposited in the municipality's
32 reinvestment project fund created pursuant to section 15J.6
33 to fund the development of those projects included within the
34 district plan.

35 5. A municipality may amend the district plan to add

1 or modify projects. However, a proposed modification to a
2 project and each project proposed to be added shall first be
3 approved by the board in the same manner as provided for the
4 original plan. In no case, however, shall an amendment to
5 the plan result in the extension of the district dissolution
6 date provided in section 15J.7. If a district plan is amended
7 to add or modify a project, the municipality shall amend
8 the ordinance, if necessary, to reflect any changes to the
9 financial information required to be included under subsection
10 4.

11 Sec. 4. NEW SECTION. 15J.4 **New state tax revenue**
12 **calculations.**

13 1. *a.* The department of revenue shall calculate quarterly
14 the amount of new state sales tax revenues for each district
15 established in the state to be deposited in the state
16 reinvestment district fund created in section 15J.5, pursuant
17 to section 423.2, subsection 11, paragraph "b".

18 *b.* The amount of new state sales tax revenue for purposes
19 of paragraph "a" shall be the product of the amount of sales
20 subject to the state sales tax in the district during the
21 quarter from retailers holding a retail sales tax permit issued
22 on or after the date the ordinance establishing the district
23 was first adopted under section 15J.3, subsection 4, times four
24 percent.

25 *c.* For the purpose of calculating the amount of new state
26 sales tax revenues under paragraph "b", a retail sales tax
27 permit issued before the date the ordinance establishing the
28 district was first adopted under section 15J.3, subsection
29 4, that is held by a retailer whose place of business for
30 that permit is located in a vertical improvement within the
31 district that was substantially improved on or after the date
32 the ordinance establishing the district was first adopted shall
33 be considered a retail sales tax permit issued on or after the
34 date the ordinance establishing the district was first adopted.

35 2. *a.* The department of revenue shall calculate quarterly

1 the amount of new state hotel and motel tax revenues for each
2 district established in the state to be deposited in the state
3 reinvestment district fund created in section 15J.5, pursuant
4 to section 423A.6.

5 *b.* The amount of new state hotel and motel tax revenue for
6 purposes of paragraph "a" shall be the product of the amount of
7 sales subject to the state hotel and motel tax in the district
8 during the quarter from retailers or lessors holding a permit
9 for the collection of the state hotel and motel tax issued
10 on or after the date the ordinance establishing the district
11 was first adopted under section 15J.3, subsection 4, times the
12 state hotel and motel tax rate imposed under section 423A.3.

13 *c.* For the purpose of calculating the amount of new state
14 hotel and motel tax revenues under paragraph "b", a permit for
15 the collection of the state hotel and motel tax issued before
16 the date the ordinance establishing the district was first
17 adopted under section 15J.3, subsection 4, that is held by a
18 retailer or lessor whose place of business for that permit is
19 located in a vertical improvement within the district that
20 was substantially improved on or after the date the ordinance
21 establishing the district was first adopted shall be considered
22 a permit issued on or after the date the ordinance establishing
23 the district was first adopted.

24 3. Each municipality that has established a district
25 under this chapter shall assist the department of revenue in
26 identifying retail establishments in the district that are
27 collecting state sales tax and lessors in the district that are
28 collecting state hotel and motel tax. This process shall be
29 ongoing until the municipality ceases to utilize state sales
30 tax revenue or state hotel and motel tax revenue under this
31 chapter or the district is dissolved.

32 Sec. 5. NEW SECTION. 15J.5 State reinvestment district
33 fund.

34 1. A state reinvestment district fund is established in the
35 state treasury under the control of the department of revenue

1 consisting of the new state sales tax revenues collected within
2 each district and deposited in the fund pursuant to section
3 423.2, subsection 11, paragraph "b", and the new state hotel and
4 motel tax revenues collected within each district and deposited
5 in the fund pursuant to section 423A.6. Moneys deposited in
6 the fund are appropriated to the department of revenue for the
7 purposes of this section. Moneys in the fund shall only be
8 used for the purposes of this section.

9 2. A district account is created within the fund for each
10 district created by a municipality under this chapter.

11 3. The department of revenue shall deposit the moneys
12 described in subsection 1 into the appropriate district account
13 in the fund beginning the first day of the quarter following
14 adoption of the ordinance by the municipality under section
15 15J.3, subsection 4.

16 4. All moneys in each district account within the fund
17 shall be remitted quarterly by the department of revenue to the
18 municipality that established the district for deposit in the
19 municipality's reinvestment project fund established pursuant
20 to section 15J.6.

21 5. The department of revenue shall adopt rules for the
22 remittance of moneys to municipalities.

23 **Sec. 6. NEW SECTION. 15J.6 Reinvestment project fund.**

24 1. State sales tax revenue and state hotel and motel tax
25 revenue remitted by the department of revenue to a municipality
26 pursuant to section 15J.5 shall be deposited in a reinvestment
27 project fund of the municipality and shall be used to fund
28 projects within the district from which the revenues were
29 collected. If the municipality determines that the revenue
30 accruing to the reinvestment project fund exceeds the amount
31 necessary for these purposes, the excess moneys that are
32 remittances received under section 15J.5 and all interest in
33 the fund attributable to such excess amounts shall be remitted
34 by the municipality to the department of revenue for deposit in
35 the general fund of the state.

1 2. In addition to the moneys received pursuant to section
2 15J.5, a municipality may deposit in the reinvestment project
3 fund any other moneys lawfully at the municipality's disposal,
4 including but not limited to local sales and services tax
5 receipts collected under chapter 423B if such use is a purpose
6 authorized for the municipality under chapter 423B.

7 3. *a.* Moneys from any source deposited into the
8 reinvestment project fund shall not be expended for or
9 otherwise used in connection with a project that includes
10 the relocation of a commercial or industrial enterprise not
11 presently located within the municipality, unless one of the
12 following occurs:

13 (1) The local governing body of the municipality where
14 the commercial or industrial enterprise is currently located
15 and the local governing body of the municipality where the
16 commercial or industrial enterprise is proposing to relocate
17 have either entered into a written agreement concerning the
18 relocation of the commercial or industrial enterprise or have
19 entered into a written agreement concerning the general use
20 of economic incentives to attract commercial or industrial
21 development within those municipalities.

22 (2) The local governing body of the municipality where the
23 commercial or industrial enterprise is proposing to relocate
24 finds that the use of moneys in the reinvestment project fund
25 for a project that includes such a relocation is in the public
26 interest. A local governing body's finding that a project that
27 includes a commercial or industrial enterprise relocation is
28 in the public interest shall include written verification from
29 the commercial or industrial enterprise that the enterprise is
30 actively considering moving all or a part of its operations to
31 a location outside the state and a specific finding that such
32 an out-of-state move would result in a significant reduction
33 in either the enterprise's total employment in the state or in
34 the total amount of wages earned by employees of the enterprise
35 in the state.

1 *b.* For the purposes of this subsection, "*relocation*"
2 means the closure or substantial reduction of an enterprise's
3 existing operations in one area of the state and the initiation
4 of substantially the same operation in the same county or a
5 contiguous county in the state. "*Relocation*" does not include
6 an enterprise expanding its operations in another area of the
7 state provided that existing operations of a similar nature are
8 not closed or substantially reduced.

9 4. Upon dissolution of a district pursuant to section 15J.7,
10 if moneys remitted to the municipality pursuant to section
11 15J.5 remain in the municipality's reinvestment project fund
12 and those moneys are not necessary to support completion of
13 a project in the dissolved district, such amounts and all
14 interest remaining in the fund that was earned on such amounts
15 shall be remitted by the municipality to the department of
16 revenue for deposit in the general fund of the state.

17 5. Upon dissolution of a district pursuant to section 15J.7,
18 moneys remaining in the reinvestment project fund that were
19 deposited pursuant to subsection 2 and all interest remaining
20 in the fund that was earned on such amounts shall be deposited
21 in the general fund of the municipality.

22 Sec. 7. NEW SECTION. 15J.7 District dissolution.

23 1. A district established pursuant to this chapter is
24 dissolved twenty-five years from the date the ordinance was
25 first adopted under section 15J.3, subsection 4, unless the
26 municipality dissolves the district by ordinance prior to that
27 date.

28 2. Upon expiration of the twenty-five-year period or
29 upon adoption of an ordinance dissolving the district, the
30 municipality shall notify the director of revenue of the
31 dissolution of the district.

32 3. Upon receipt of the notice pursuant to subsection 2,
33 the department of revenue shall cease to deposit state sales
34 tax revenues and state hotel and motel tax revenues into the
35 district's account within the fund.

1 Sec. 8. Section 423.2, subsection 11, paragraph b, Code
2 2013, is amended by adding the following new subparagraph:

3 NEW SUBPARAGRAPH. (6) Beginning the first day of the
4 quarter following adoption of an ordinance pursuant to section
5 15J.3, subsection 4, transfer to a district account created
6 in the state reinvestment district fund for each reinvestment
7 district established under chapter 15J, the amount of new state
8 sales tax revenue, determined in section 15J.4, subsection 1,
9 paragraph "b", in the district, that remains after the prior
10 transfers required under this paragraph "b".

11 Sec. 9. Section 423A.6, unnumbered paragraph 1, Code 2013,
12 is amended to read as follows:

13 The director of revenue shall administer the state and local
14 hotel and motel tax as nearly as possible in conjunction with
15 the administration of the state sales tax law, except that
16 portion of the law which implements the streamlined sales and
17 use tax agreement. The director shall provide appropriate
18 forms, or provide on the regular state tax forms, for reporting
19 state and local hotel and motel tax liability. All moneys
20 received or refunded one hundred eighty days after the date
21 on which a city or county terminates its local hotel and
22 motel tax and all moneys received from the state hotel and
23 motel tax shall be deposited in or withdrawn from the general
24 fund of the state. Beginning the first day of the quarter
25 following adoption of an ordinance pursuant to section 15J.3,
26 subsection 4, the director of revenue shall transfer from the
27 general fund of the state to a district account created in
28 the state reinvestment district fund for each reinvestment
29 district established under chapter 15J, the new state hotel and
30 motel tax revenue, determined in section 15J.4, subsection 2,
31 paragraph "b", in the district.